

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 12/16/2009

GAIN Report Number: GM9045

Germany

Post: Berlin

German Barley Finds No Export Market

Report Categories:

Grain and Feed

Approved By:

Bobby Richey, Jr.

Prepared By:

Dietmar Achilles

Report Highlights:

Through mid-February 2010, the German grain trade has sold 1.087 MMT of barley into intervention, with total sales into intervention for 2009/2010 to reach about 1.5 MMT. Due to intensive competition from Black Sea countries, German barley has not found customers in traditional export markets. With the market look bleak, planted area for the 2010/2011 barley harvest in Germany is reported to be down about five percent. This will be offset by marginal increases in wheat area and an expectation of larger increases in corn area for 2010/2011.

General Information:

Through mid-December, the German grains intervention agency reports purchases of about 1.087

MMT of barley. The German grain trade expects that by the end of marketing year 2009/10, a total of 1.5 MMT will be sold into intervention in Germany. The intervention stocks are likely to increase total year end carryover stocks of barley. However, at the same time carryover stocks held by German farmers are likely to shrink by the end of 2009/2010 when compared to end of 2008/2009. At the end of MY 2008/2009, German farmers were still speculating for higher prices and were holding relatively large amounts of barley. These farmer-held stocks have already been used for animal feed on-farm in 2009/2010.

The increase in intervention barley stocks is attributed to difficulties finding export markets for German and other EU barley. As of February 9, 2010, EU export licenses for barley amounted to only 452,000 tons compared to 3.0 MMT one year before. Traditional customer countries in North Africa, the Near East and Middle East had better crops in 2009 and competition for EU exporters is very strong out of the Black Sea region. Additional competition is developing from the newly harvested barley in Australia. Another significant disadvantage for EU exporters is the current strength of the Euro.

Since there is a significant price difference between lower priced rye and triticale on the one side and higher priced barley, feed wheat and especially corn on the other side, German commercial feed companies increased the use of rye and triticale in their feed formulas. Due to the current depressed price level for feed grains, German livestock producers have reduced their demand for commercially produced feed mixes and replaced them by on-farm mixes with a significantly higher portion of grains. Also, the bioethanol companies are increasing demand for rye and triticale. Another interesting outlet for lower quality and lower priced grains are the many newly built biogas digesters for the production of electricity. Several hundred thousand tons are diverted to this new use with increasing tendency. However, this current increased demand for rye and triticale may result in a narrowing of wheat, barley and rye prices later in the season.

Again this year, farmers are speculating for higher world market prices and a weaker Euro for the second half of the marketing year and are therefore currently reluctant to sell their wheat. Export opportunities for German and other European wheat are significantly better than for barley. By February 9, 2010, EU export licenses were taken for 12.0 MMT of wheat and wheat flour compared to 15.1 MMT during the corresponding period in 2008/09. 2008/09 has been an exceptionally good year for European wheat exports to third country markets.

An outlook for crop year 2010 indicates that the production area for barley will likely drop by about five percent due to current low prices. Also rye area is said to be lower than in 2009. Wheat area is likely to remain constant, with some upward potential. Most likely, there will be more corn area for use in biogas digesters.